APPAREL

Burlington Coat Eyes $360M '85, Up 16%

BURLINGTON, N.J. — Burlington Coat Factory sales are expected to reach $360 million by the end of this fiscal year, and top the $400 million mark in fiscal 1986, said chairman of the board, president and chief executive officer Monroe G. Milstein.

Along with a projected 16% sales increase for this fiscal year, the company expects to have opened 12 new stores by the end of 1985, for a January 1986 store count of 80 units, averaging 58,000 sq. ft.

Also, the now 79-store outerwear and apparel off-price chain anticipates strong sales gains from its latest venture launched over a month ago—converting leased fur departments to company-run operations.

Fur sales, which had been 5% of total volume, will now "increase drastically," said Milstein. One company executive said Milstein expects to double or triple sales in furs by the end of this winter season.

During the last completed fiscal year total Burlington sales

Monroe Milstein

reached $309.7 million, a 40.5% increase over the prior year's $220.4 million. Net income leaped 38% to $16.5 million, vs. $12 million the year before. These figures were based on results from 68 stores, in which 60% of total sales came from outerwear departments.

An aggressive advertising campaign was part of Burlington's strategy last year, and even more so this year. For the first half of this year, the company spent $2,612,000 on television advertising, trailing only fellow off-pricers Marshalls and C&R Clothiers, according to reports from the Television Advertising Bureau (TvB). This represents a 47.2% jump in television ad expenditures over the first half of 1984, when the chain spent $1,774,800.

For the full year 1984, the chain outspent the other off-pricers in television advertising, including Marshalls, with an outlay of $7,213,900.

In merchandising, Milstein's strategy for the balance of the year essentially follows that of last year—keeping inventories heavy, keying about 70% of the mix to basic looks and bringing in a greater percentage of goods closer to the selling season.

The now company-operated fur department is spearheaded by newly appointed fur manager Lester Bodner (formerly of the six-store Chicago-based specialty chain Paddors). He is coordinating his buying with the New York-based Len Rosen Associates buying office.

Bodner's responsibilities include designing the layout and merchandise presentation of the departments and training store management and selected salesmen to service the area.

The new venture ends Burlington's two-year-old lease arrangement with Bentley Furs.

At presstime, the fur assortments were expected to be available in 39 stores throughout Burlington's market area, with the balance of the stores receiving assortments within a year, said Bodner.

Burlington Coat expects to double or triple sales of furs, now company operated, by the end of this winter.

Bodner added that price ranges for the furs will remain the same as in the leased departments, with the ceiling price at $3,500 for a mink coat. The bulk of the assortment is in the $600 to $2,000 range.

While the selection still consists of what Bodner termed "bridge furs"—between specialty store and low-end selections—he said the company-run department will offer a better-quality, more well-rounded assortment. He explained Burlington is now buying from about 20 fur manufacturers, while Bentley, which manufacturers its own furs, had stocked the departments with only its own pieces.

Correction

In the Aug. 19 issue of *Discount Store News* (page 82), we incorrectly stated the annual sales of Sands Salvage, Farmingdale, N.Y., as $5 million.

The correct figure is $13 million. The adjusted volume ranks the firm 17th on a list of 30 closeout operators profiled in that issue.

Frady Named Prez Of Maloney Chain

MOUNT STERLING, Ky. — Robert L. Frady has been promoted to president and ceo of Maloney Enterprises, the discount department store chain that was acquired by Heck's in August.

Frady, who had been executive vice president, operations, of Maloney, succeeds Theodore W. Kazleman, who was recently named president and coo of Heck's.

Three D Payout

EAST HARTFORD, Conn. — The board of directors of Three D Departments declared a regular quarterly cash dividend of 25¢ per share on the Class A common stock and 15¢ per share on the Class B common stock, to be paid on Oct. 31, 1985, to stockholders of record on Oct. 17, 1985.

Three D, a merchandiser of linens and domestics, operates leased departments and specialty stores.

No seal. No sale.
CERTIFIED BY DU PONT
SilverStone
This seal is granted only to products with genuine SilverStone premium nonstick surfaces which meet DuPont's quality standards
INTERIOR SURFACE
Only SilverStone® is Certified.

Highest Net

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As a percentage of sales, buying and merchandising expenses gained only five percentage points to 0.61%. Administration and general expenses remained stable at 1.01% and store operation expenditures showed a 1.1% boost to 10.31%.

Other indicators of the industry's overall strong performance included return on equity (net earnings after taxes as a percentage of net worth) which went up 8.4% to 18.69% and return on assets (ratio of new earnings to total assets) which had a 6% jump to 7.82%.

Besides the overall results from the 31 firms, the study tracked 26 discounters that have participated each year for the past few years, functioning as a benchmark group "due to their consecutive years of reporting financial data which presents an accurate reflection of year-to-year changes in the financial and operational state of the industry."

The bellwether results at these 26 identical firms were right in step with the industry-wide trends. The study's analysis of these discounters involved both overall performance figures and, in some specific areas, a breakout of firms into two groups: those with sales above and below $400 million.

The latter analysis included such measurements as average store volume, sales per square foot of space, turns, stock shortages, total expenses, transportation costs and employee benefit charges.

In the case of the identical discounters with sales above $400 million, the results included:

Average store sales went up 6.7% to $7,867,000; volume per square foot of selling space had a 10.1% increase to $162.75; turns jumped 37.8% to 5.07, and stock shortages plunged 50.4% to just 0.61%.

Total expenses had an 0.3% increase to 23.13% of total sales, while specific costs (as a per cent of sales) showed mixed results. Transportation expenses went up 54.5% to 0.34% of sales while employee benefit charges dropped 29.5% to 2.30% and occupancy expenses slipped 2.4% to 5.32%. Buying and merchandising costs remained stable at 0.51%.

Chains' Total Expenses Decline

	Per Cent of Sales 1983-84	1984-85
Number of (Identical) Firms	26	26
Total Payroll	11.33	11.22
Supplies	0.77	0.75
Communications	0.26	0.27
Travel	0.21	0.21
Services Purchased	0.60	0.66
Advertising	2.50	2.33
Taxes and Licenses	1.51	1.46
Utilities	1.15	1.12
Insurance	0.64	0.61
Property Rentals	1.92	1.85
Equipment Rental	0.39	0.37
Depreciation & Amortization	1.03	1.08
Repair and Maintenance	0.65	0.61
Donations	0.02	0.02
Professional Services	0.09	0.09
Unclassified	1.15	1.14
Credit and Allowances	– 0.70	– 0.44
TOTAL EXPENSE	23.52	23.33

Source: NMRI

Total expenses at 26 identical discounters dropped, mirroring trend for entire industry, which saw many costs (as per cent of sales) decline.

Detroit K marts to Get ATMs

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Magic Line is the shared ATM network in Michigan, made up of nearly 200 separate financial institutions, such as banks, S&Ls and credit unions. The shared network enables cardholders from any member institution to access personal funds from an ATM inside a K mart store—as much as $200 to $300 a day less a transaction fee that's typically less than $1.

In most of the 44 stores (all K marts in the market except five which couldn't spare the space), the ATM will be off the center midway aisle, by the cafeteria entrance, about three-quarters of the way toward the rear wall. "It's a fairly heavy traffic spot, but also gives customers some privacy," Hartman noted.

This is the second financial services pact that K mart has entered into with First Federal of Michigan. This past summer, Bay Savings Bank, a subsidiary of First Federal of Michigan, began offering money-market accounts, 6- to 60-month certificates of deposit and some consumer loans in all four K mart stores in Richmond, Va.

Other than that, this ATM effort continues the financial services testing procedure so far enveloped by K mart: landlord-lessee arrangements, and the appearance of just one such service per store.

Besides ATMs, K mart currently offers full- and limited-service banking, insurance, real estate brokerage, mortgage and consumer financing services in 10 states.

For now, he said, K mart hasn't even spoken with First Federal of Michigan about expanding to other parts of the state. Without committing to expansion of the concept anywhere, Hartman noted the states that have been most progressive in developing shared ATM networks have been Iowa, Texas, Florida and Georgia.

BJ's

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units in adjacent Connecticut.

BJ's president Mervyn D. Weich said the chain's competitive difference from the Price Club includes merchandising more sku's (3,500-4,000 vs. 2,000-2,500 for the Price Club); greater sales in jewelry and furniture, and carrying fewer brands which "increases the stature of those we have."

He added that BJ's doesn't plan to emulate Price Club's recent inauguration of a third membership category that, in effect, turns group members into wholesale members. That Price Club move offers group members a Gold Star membership for a $25 annual fee, along with a $10 yearly charge for a spouse card. But Gold Star members buy merchandise at the same wholesale price as wholesale members, rather than at the additional 5% fee charged to group members.

Prange Way

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its new everyday low pricing on specific products with competitors K mart, Kohl's Department Stores and ShopKo. Five items were directly compared with ShopKo. Prange Way's total was $125.30, ShopKo's, $146.55. The ad copy read: "The difference is $21.25, that's the Prange Way difference."

K mart and Kohl's chose to stay out of the fray but ShopKo responded the next week with a full-page ad in the Green Bay papers, stating in big, bold, bright red letters—"We won't be undersold."

The ad guaranteed customers that ShopKo would match any price in town and went on to compare 24 examples of its "everyday low price," side by side, with Prange Way's "everyday price." This time the totals were $176.24 at Prange Way and $165.67 at ShopKo.

ShopKo ran four of these answering ads, comparing specific prices with Prange Way until Prange Way launched its counterattack. In a full page ad, Prange Way "thanked" ShopKo for coming down to meet its everyday low prices. Prange Way went on to needle ShopKo—"so try shopping with the value leader, instead of waiting until the others follow."

ShopKo's retaliation was in the form of additional price comparisons until Prange Way fired its final blow—"The Fable of Jack and the Giant Killer." Prange Way, "the giant killer," is depicted as the quiet little leader and ShopKo, as the big noisy follower.

The "Coke vs. Pepsi" oneupmanship has ceased, for the time being, but its impact has already been felt, according to Stephen J. Jelin, president of Prange Way.

If Prange Way's new direction, spearheaded by its everyday prices, appears to be leaning toward a merchandising philosophy pioneered by Hills Department Stores, it comes as no surprise. Jelin was a 16-year veteran of Hills, most recently as vice president, soft lines merchandising, for the chain before moving over as Prange Way president last April.

Jelin was quick to emphasize Prange Way will not become a Hills clone.

"Prange Way is more upscale than Hills. Of course, when you've worked for one chain for a length of time, it's only natural to be influenced by its philosophy," he said.

Indeed, Prange Way under Jelin's short tenure has made significant changes, in both advertising and merchandising.

Offering a new everyday low price policy on some 1,200 key items was the first step in rebuilding Prange Way's eroded price image.

"When I came into the market I was surprised to see no one was taking an everyday low price stance. It obviously appeals to the working woman and to people who just don't have a lot of time to shop. I saw a real void in the market and an opportunity for us to differentiate ourselves from the competition," Jelin said.

In addition to everyday low pricing, Prange Way totally overhauled its advertising approach in attempts to convey its new image and, even more importantly, to cut costs.

Prange Way had been running over 60 print circulars and books a year. In addition, consumer perception of the chain had become clouded with Prange's, its 98-year-old department store parent. Prange Way had lost its own image.

The first step for Prange Way was to separate the advertising duties of the two divisions, which had been jointly run.

Secondly, Prange Way went back on television.

Eleven initial spots, a mix of institutional and price/item strategy, were intended to attract attention and pique consumer curiosity. They were also taped at a local television station for about one-fifth of the ad agency price, according to Jelin.

In another cost-cutting move, the chain shifted from a very expensive glossy print stock (for its circulars) to a less costly matte finish paper. Full-color and upscale logo art were left intact. Prange Way also reduced its ad pages from eight to four, adding fold-out coupon strips without reducing the number of ads it ran.

A number of merchandising changes were also implemented to help Prange Way achieve a new "value image," with many of the moves a direct reflection of Jelin's Hills years.

A new program of comparative pricing of private labels and name brands has been particularly successful in household chemicals, according to the president. Also, a new, more informational signing program was rolled out, emphasizing price and value.

Bargain tables, which were eliminated by Jelin's predecessors, were also brought back chainwide, to increase overall volume.

Jelin has also begun to build up soft line volume, which now accounts for about 43% of total sales. Children's wear, he said, will begin to play an important role in the chain's soft line strategy.

Discount Chains Capitalize on Boom in Juvenile Domestics Sales

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ter. "For every two sets of sheets we will sell a pair of drapes." Sales of standard accessories "are not even close" to that ratio, said Coulter.

T.G. & Y., which gets 3% of its domestics sales from the juvenile category, gets everyday gross margins of 43% to 45% from sheets, comforters and drapes.

Discounters are also appealing to today's supermoms and dads with novelty items like bed tents and glow-in-the-dark bedding.

Also, for the first time many discounters are testing items aimed specifically at older children and preteens who have outgrown licenses, giving juvenile sections a broader-based appeal.

However, while patterns from Burlington—which originated this concept with its Garan line—and from other mills like Cannon and Bibb find their way into dircount stores, some buyers are not sure whether a need for this type of assortment really exists. Some argue standard geometric and floral patterns already fill the bill.

Richway, beginning this fall, is devoting 8 ft. to 12 ft. in all its stores to juvenile domestics year-round, instead of just during the fourth quarter.

The section now holds sheets priced at $19.99 everyday and $14.99 on sale, and either matching comforters or bedspreads. Licenses include Wuzzles, She-Ra, Hugga Bunch, Voltron, Care Bears, and one nonlicensed pattern called "Whistle Stop." At this stage, though, the chain regards the category as an item business, and isn't carrying related accessories, said vp, dmm John VandenBerge.

Included in the section are licensed Hide-Out-Huts from Springs Performance, the first manufacturer of bed tents, for $25 to $29 on sale, and solid bed tents from McCarthy for $16.99 on sale.

The chain is also giving 4 ft. to two patterns from Burlington's licensed Garan line—"Hearts" for girls and "Scouts" for boys.

The entire category will be promoted every third week through December, said VandenBerge.

At Gold Circle, juvenile domestics has been given a 16.-ft. to 20-ft. run in all stores, with emphasis on coordinated looks. Licensed sheets are stocked on gondolas with hang bars underneath for bedspreads, comforters and accessories.

Sales of juvenile sheet sets, priced at $19.99, are up 48% over last year, Brown added. While juvenile sheets accounted for 8½% of total sheet sales at Gold Circle last year, they should capture about 10% of the chain's sheet business this year.

Like Richway, Gold Circle is carrying Spring Performance's licensed bed tents—for $36.99 every day and $29.99 on sale—and McCarthy's solids for $29.99 every day and $19.99-$24.99 on sale.

At least one major discounter, Wal-Mart, is switching its emphasis from the younger juvenile domestics to a heavier focus on its older children's market.

After testing two Garan patterns in 25 stores recently, the chain will put these into its regular program in 1986, said senior buyer Brent Barry. As a result, two of the four styles now in the 12-ft. sections—Care Bears, Cabbage Patch, Garfield and a nonlicensed style—will be cut out.

"We're in smaller towns, with a lot of middle-aged and older people," explained Berry. "We're not in the metro areas to which most of the younger couples seem to be moving."